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Page: 1

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PAGE 01 BOGOTA 07250 211336Z
ACTION EB-08

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C O N F I D E N T I A L BOGOTA 07250

E.O. 12356: DECL: OADR
TAGS: EPET, CO
SUBJECT: CANO LIMON OIL PIPELINE

REFS: (A) BOGOTA 733
 (B) BOGOTA 7047

BOGOTA 7250 SENT ACTION SECSTATE BEING REPEATED FOR YOUR
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QUOTE

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PAGE 02 BOGOTA 07250 211336Z

1. CONFIDENTIAL - ENTIRE TEXT.

2. ON JUNE 14, EMBOFFS WERE BRIEFED ON STATUS OF CANO
LIMON OIL PIPELINE BY U.S. CITIZEN INVOLVED IN THE
CONSTRUCTION PROJECT. THIS 700 KILOMETER PIPELINE WILL
BE USED TO MARKET OIL FROM THE 1.3 BILLION BARREL CANO
LIMON OIL FIELD IN THE DEPARTMENT OF ARAUCA. IT IS A

Current Class: CONFIDENTIAL

Page: 1

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: OSCAR J. OLSON
DATE/CASE ID: 5 NOV 2002 200201334

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Current Class: CONFIDENTIAL
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Page: 2
Channel: n/a

JOINT VENTURE BETWEEN COLOMBIA'S NATIONAL OIL COMPANY, ECOPETROL AND ITS TWO ASSOCIATION PARTNERS, OCCIDENTAL PETROLEUM AND ROYAL DUTCH SHELL (REF B - FOR SHELL INVOLVEMENT).

3. THE PIPELINE PROJECT: THE GERMAN COMPANY MANNESMAN WON THE CONTRACT TO BUILD THE ARAUCA TO RIO ZULIA SEGMENT OF THE PIPELINE. THE CONTRACT REQUIRES IT TO BE IN SERVICE BY DECEMBER 1985. BECHTEL, THE PRIME CONTRACTOR FOR THE REST OF THE PIPELINE, EXPECTS TO FINISH THE RIO ZULIA TO AYACUCHO SEGMENT AT THE SAME TIME. AT AYACUCHO, THE NEW PIPELINE WILL TIE INTO AN EXISTING LINE TO THE BARRANCABERMEJA REFINERY IN THE DEPARTMENT OF SANTANDER. ONCE IN SERVICE, THE COMPLETED LINE WILL CARRY 60,000 BARRELS PER DAY OF CANO LIMON CRUDE TO THE REFINERY, ALLOWING COLOMBIA TO END IMPORTS OF CRUDE. THE CANO LIMON PIPELINE IS SCHEDULED TO BE EXTENDED TO THE PORT OF COVENAS BY MAY 1986. THEN CANO LIMON FIELD'S OUTPUT WILL BE RAISED TO 200,000 BARRELS PER DAY, ENABLING COLOMBIA TO EXPORT WELL OVER 100,000 BARRELS PER DAY OF CRUDE.

4. PIPELINE PROGRESS: WHILE MANNESMAN REMAINS HOPEFUL THAT IT WILL COMPLETE THE ARAUCA TO RIO ZULIA SEGMENT BY THE DECEMBER 1985 DEADLINE, OUR SOURCE REPORTED THAT OTHER PARTIES INVOLVED IN THE PROJECT ARE SKEPTICAL.
CONFIDENTIAL

PAGE 03 BOGOTA 07250 211336Z

THE GERMAN COMPANY HAS ONLY TACKLED THE EASIEST CONSTRUCTION TASKS SO FAR AND ALREADY HAS ENCOUNTERED ACTIVITY SEQUENCING AND WEATHER PROBLEMS. RAIN HAS FILLED PIPELINE DITCHES MAKING INTENSIVE PUMPING OPERATIONS NECESSARY. THERE IS ALSO CONCERN ABOUT THE TIMELY CONSTRUCTION OF THE PORTION OF THE PIPELINE OVER MOUNTAINOUS TERRAIN WHICH MANNESMAN HAS SUBCONTRACTED TO AN ITALIAN COMPANY.

5. WORRIED ABOUT MANNESMAN'S APPARENT INEFFICIENCIES AND THE HIGH COSTS OF DELAYS, OXY OFFICIALS HAVE EMPLOYED 25 EXPERIENCED PIPELINE TECHNICIANS TO PROVIDE ON-SITE REPORTS ABOUT THE GERMAN COMPANY'S PROGRESS AND PROBLEMS. OUR SOURCE RELATED THAT A RECENT PROJECT AUDIT INDICATED THAT A) ALL OF THE PIPE WILL PROBABLY BE LAYED BY DECEMBER, AND B) POTENTIAL PROBLEMS IN TRANSPORTING AND INSTALLING THREE 30 TON PUMPING STATIONS ARE LIKELY TO DELAY INAUGURATION OF THE ARAUCA TO RIO ZULIA SEGMENT. INADEQUATE BRIDGES AND ROADS TOGETHER

Current Class: CONFIDENTIAL

Page: 2

UNCLASSIFIED

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Page: 3
Channel: n/a

WITH DIFFICULT TERRAIN WILL COMPLICATE THIS OPERATION.

6. BECHTEL IS THE PRIME CONTRACTOR FOR PIPELINE BETWEEN RIO ZULIA AND COVENAS. IT HAS SUBCONTRACTED THE RIO ZULIA-AYACUCHO SEGMENT TO AN ARGENTINE FIRM, TECHINT. THAT COMPANY ALREADY HAS 210 EMPLOYEES WORKING ON ITS PART OF THE PIPELINE. THE FINAL LEG AND THE ONSHORE FACILITIES AT COVENAS WILL BE BUILT BY THE U.S. COMPANY WILBROS. THIS WORK IS NOT YET UNDERWAY. A FRENCH FIRM, ETPM, WILL PURCHASE AND REFIT AN OFFSHORE SUPERTANKER WHICH WILL BE ANCHORED AT COVENAS AND USED TO TRANSFER THE EXPORT CRUDE TO TRANSPORT VESSELS. BECHTEL WILL PROCURE ALL MATERIALS FOR THE PROJECT INCLUDING 96,000 TONS OF JAPANESE PIPE. THE FIRST DELIVERIES ARE SET FOR LATE JUNE AND WILL BE COMPLETED BY OCTOBER. OUR SOURCE IS CONFIDENT THAT THE AYACUCHO TO COVENAS SEGMENT AND THE EXPORT
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PAGE 04 BOGOTA 07250 211336Z

FACILITIES WILL BE FINISHED BY NEXT MAY. TULL
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Current Class: CONFIDENTIAL

Page: 3

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